



MASSDEVELOPMENT

*Helping Massachusetts Municipalities Create a Greener Energy Future*

**Webinar –**  
*Green Communities and  
MassDevelopment*

*July 2, 2009  
9:30am*

## **Clean Renewable Energy Bonds: A Financing Tool for Cities and Towns**

*Helping Massachusetts Municipalities Create A Greener Energy Future*

# Agenda

- Renewable Energy Financing Tools
- Overview of CREBs program
- Review a Sample Application
- Follow-up Resources

## Renewable Energy Financing Tools

- Power Purchase Agreement (PPA)/3<sup>rd</sup> Party Ownership Business Model
  - Third party business owner takes advantage of tax credits to develop an attractive PPA for tax-exempt public entity
  - Separate webinar to be scheduled
- Clean Renewable Energy Bonds (CREBs)
  - Bond Purchaser receives tax credits and tax-exempt borrower receives a zero (or low) interest loan
- Both tools provide avenue for public entities to take advantage of tax credits provided for renewable energy projects

## CREB – What is it?

- Zero (or low) interest financing tool available to eligible tax-exempt entities:
  - Public power providers
  - Electrical cooperatives
  - Governmental bodies
- \$2.4 Billion available
- Allocations made by IRS – smallest request to largest
  - Allocation to be split evenly among public power providers, electrical cooperatives, and governmental bodies
- Recipient of CREBs allocation receives a zero (or low) interest loan over ~16 years for project financing; bond purchaser receives a federal tax credit each year in lieu of interest payments
- Previous programs in 2006, 2007
  - \$800M allocated in 2006, additional \$400M in 2007
  - Largest allocation in 2006 - \$3.2M; in 2007 - \$2.95M

## CREBs – Eligible Projects

- Electricity producing renewable energy projects:
  - Wind; closed-loop biomass; open – loop biomass; geothermal; solar; small irrigation power; landfill gas; trash combustion; hydropower; marine and hydrokinetic renewable energy
  - Defined in application; IRS code found below

[http://cerberus.law.cornell.edu/uscode/html/uscode26/usc\\_sec\\_26\\_00000045----000-.html](http://cerberus.law.cornell.edu/uscode/html/uscode26/usc_sec_26_00000045----000-.html)

*Helping Massachusetts Municipalities Create A Greener Energy Future*

## CREBs – Considerations

- Investors receive an annual federal tax credit in lieu of interest
  - New CREBs provide tax credit of 70% of published rates, old program provided 100% credit to bond purchaser (borrower may need to pay additional interest)
  - Exact tax credit interest rate and allowable term determined on date of sale of Bond, rates/terms published by IRS  
<https://www.treasurydirect.gov/SZ/SPESRates?type=QTCB>
- Transaction fees (legal, etc)
- Size of request
  - IRS allocation method
  - Other funding sources
  - Annual payment aligned with avoided energy costs/savings (See sample application for illustration)
  - Fees, interest vs amount requested
- Check with town counsel regarding local and other approvals required

# CREBs Application

- Review of sample application
- Due Date to IRS – August 4<sup>th</sup>, 2009

# CREBs RESOURCES

## Contacts:

- Steve Chilton, MASS Development
  - [schilton@massdevelopment.com](mailto:schilton@massdevelopment.com), 617-330-2000
- Meg Lusardi, Green Communities, DOER
  - [Meg.lusardi@state.ma.us](mailto:Meg.lusardi@state.ma.us), 617-626-7364
- Mark Sylvia, Green Communities, DOER
  - [Mark.sylvia@state.ma.us](mailto:Mark.sylvia@state.ma.us), 617-626-7339

Webinar and guidance materials:

[www.mass.gov/energy/greencommunities](http://www.mass.gov/energy/greencommunities)

IRS Resources:

<http://www.irs.gov/pub/irs-drop/n-09-33.pdf>

<http://www.dsireusa.org/documents/Incentives/US45Fc.htm>